

## Message Text

UNCLASSIFIED

PAGE 01 NEW DE 02467 180741Z  
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02  
CIEP-02 LAB-04 SIL-01 OMB-01 /067 W  
-----180743 090737 /22

R 180644Z FEB 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 1372

UNCLAS NEW DELHI 2467

FOLLOWING SENT ACTION NEW DELHI INFO CALCUTTA MADRAS  
FROM BOMBAY FEB 17 IS REPEATED

QUOTE  
UNCLAS BOMBAY 0403

E. O. 11652: N/A  
TAGS: EFIN, IN  
SUBJ: RERVE BANK OF INDIA (RBI) RELAXES CREDIT CURBS

REF: (A) NEW DELHI 0652 (B) BOMBAY 0155

1. RBI HAS ANNOUNCED ON FEBRUARY 16, SELECTIVE RELAXATION OF  
THE ENHANCED 10 PERCENT MARGIN ON BANK LENDINGS IMPOSED  
MID-JANUARY (REFTEL A). RELAXATION WOULD APPLY TO THOSE  
BORROWERS WHOSE ESSENTIAL NEEDS ARE NOT BEING MET UNDER  
EXISTING TIGHT CREDIT POLICY.

2. THE AMENDED POLICY IS DESIGNED TO PROVIDE RELIEF TO COTTON  
TEXTILE INDUSTRY AND ALSO SEASONAL INDUSTRIES LIKE SUGAR  
MILLS. RBI HAS TOLD BANKS THAT TEXTILE UNITS EXEMPTED FROM  
PRODUCTION OF CONTROLLED CLOTH SHOULD ALSO BE EXEMPTED FROM  
ENHANCED MARGINS OF 10 PERCENT.

3. MR. J.C. LUTHER, DEPUTY GOVERNOR, RBI, IN LETTER TO  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 02467 180741Z

COMMERCIAL BANKS HAS ASKED BANKS TO SEE TO IT THAT REQUESTS  
FROM INDIVIDUAL TEXTILE UNITS FOR RELAXATION OF BORROWING  
LIMITS FOR WORKING CAPITAL ARE APPRAISED "ON A REALISTIC  
BASIS" SO THAT VIABLE UNITS HAVING A GOOD MANAGEMENT RECORD  
ARE ABLE TO INCREASE THEIR PRODUCTION. BANKS ARE ALSO ADVISED  
TO FINANCE MINIMUM NEEDS OF THESE UNITS TO PURCHASE IMPORTED  
COTTON FROM COTTON CORPORATION OF INDIA, AND TO IMPORT

MAN-MADE FIBERS WITHIN THE FRAMEWORK OF GOI POLICY IN THIS REGARD.

4. LUTHER HAS REITERATED THAT IMPLEMENTATION OF PRESENT CREDIT POLICY NECESSITATES "A DELICATE BALANCE" BETWEEN JUDICIOUS RESTRAINT AS AN OVERALL OBJECTIVE AND FULL SUPPORT OF THE DRIVE TOWARDS ECONOMIC GROWTH AND INCREASED PRODUCTION.

5. INDUSTRY CIRCLES ARE SAID TO WELCOME THIS PARTIAL LIBERALIZATION OF CREDIT RESTRAINTS ANNOUNCED BY RBI. SEVERAL INDUSTRIAL UNITS HAS COMPLAINED IN RECENT WEEKS THAT BANKS WERE UNNECESSARIILY STRINGENT IN APPLYING RAISED MARGIN REQUIREMENTS AND IN REDUCING CREDIT LIMITS.

6. ONE BANK ECONOMIST SAID THAT THE OBJECTIVES OF THE AMENDED POLICY ARE "MORE NON-ECONOMIC THAN ECONOMIC" IN VIEW OF COMING LOK SABHA ELECTIONS.COURTNEY

UNQUOTESCHNEIDER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CENTRAL BANK, CREDIT CONTROLS, FINANCIAL RESERVES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 18-Feb-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977NEWDE02467  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770058-0312  
**Format:** TEL  
**From:** NEW DELHI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770227/aaaaaxwy.tel  
**Line Count:** 81  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 1d9b7cc4-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION NEA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 NEW DELHI 652, 77 BOMBAY 155  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 03-Dec-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3281713  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** RSERVE BANK OF INDIA (RBI) RELAXES CREDIT CURBS  
**TAGS:** EFIN, IN  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/1d9b7cc4-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009